

\$15.00

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*NOT ADMITTED IN D.C.

December 29, 1989

RECORDATION NO. 16692 FILED 104

DEC 29 1989 - 10 15 AM

INTERSTATE COMMERCE COMMISSION

BY HAND

9-363A002

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Ms. McGee:

I have enclosed an original and one copy of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Security Agreement, dated as of December 28, 1989.

The names and addresses of the parties to the documents are as follows:

Debtor: Chicago SouthShore & South Bend Railroad Co.
North Carroll Avenue
Michigan City, Indiana 46360

Secured
Parties: Bank of America National Trust and
Savings Association,
1850 Gateway Boulevard
Concord, California 94540,
as Agent for
Bank of America National Trust
and Savings Association and
Continental Bank, N.A.

Handwritten signature/initials

Ms. Noreta R. McGee

-2-

December 29, 1989

A description of the equipment covered by the document follows:

A continuing secured interest in all rolling stock of Chicago SouthShore & South Bend Railroad Co., as described in Attachments A, B, and C, hereto.

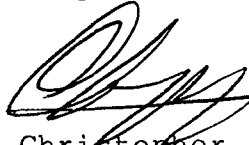
A fee of \$15.00 is enclosed, pursuant to 49 C.F.R. Section 1002.2(f)(84). Please return the originals attached to this letter, evidencing recordation to:

Christopher E. Hagerup, Esq.
Weiner, McCaffrey, Brodsky & Kaplan, P.C.
1350 New York avenue, N.W., Suite 800
Washington, D.C. 20005

A short summary to appear in the index follows:

12/28/89 Security Agreement, covering all rolling stock of Chicago SouthShore & South Bend Railroad Co., as listed in Schedules I, II, and III of the Security Agreement.

Very truly yours,



Christopher E. Hagerup

CEH/scs/8477/4562X

Enclosures

ATTACHMENT A

SCHEDULE I: Owned rolling stock by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	001210
CSS	001225
CSS	001226
CSS	001228
CSS	001229
CSS	001230
CSS	001233
CSS	001234
CSS	001235
CSS	001236
CSS	001501
CSS	001502
CSS	001503
CSS	001504
CSS	001302
CSS	001303
CSS	001304
CSS	001375
CSS	001376
CSS	001432
CSS	000329
CSS	001067
CSS	00319
CSS	10001
CSS	10002
CSS	10003
CSS	10004
CSS	10005
CSS	10006
CSS	10007
CSS	10008
CSS	303 (joint ownership)
CSS	37

(continued)

SCHEDULE I: Owned rolling stock by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	0503
CSS	1100
CSS	1128
CSS	1138
CSS	1150
CSS	1151
CSS	1401
CSS	1413
CSS	1414
CSS	1453
CSS	X1301

Locomotives

CSS	2000
CSS	2001
CSS	2002
CSS	2003
CSS	2004
CSS	2005
CSS	2006
CSS	2007
CSS	2008
CSS	2009

ATTACHMENT B

SCHEDULE II: Railcar Leases

1. Railcar Lease with C.I.T. Leasing Corporation dated February 11, 1986.
2. Railcar Lease with Itel Rail Corporation and Itel Railcar Corporation, dated December 27, 1988.
3. Railcar Lease by General Electric Railcar Services Corporation, dated October 1, 1985 (with Rider Number 2).
4. Railcar Lease by General Electric Railcar Services Corporation, dated October 1, 1985 (with Rider Number 4).

ATTACHMENT C

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	003821
CSS	003827
CSS	003834
CSS	003841
CSS	003845
CSS	003848
CSS	003854
CSS	003862
CSS	003867
CSS	041052
CSS	041053
CSS	041061
CSS	041066
CSS	041072
CSS	041075
CSS	041078
CSS	041079
CSS	041082
CSS	041083
CSS	041084
CSS	041086
CSS	041089
CSS	041093
CSS	041095
CSS	041096
CSS	041098
CSS	041105
CSS	041107
CSS	041110
CSS	041117
CSS	041125
CSS	041129
CSS	041130
CSS	041135
CSS	041137
CSS	041142
CSS	041143
CSS	041148
CSS	041150
CSS	041155
CSS	041156
CSS	041159
CSS	041163
CSS	041164
CSS	041165
CSS	041169
CSS	041180
CSS	041181
CSS	041182

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	041184
CSS	041186
CSS	041188
CSS	041189
CSS	041194
CSS	041195
CSS	041197
CSS	041198
CSS	041199
CSS	041200
CSS	050015
CSS	050043
CSS	050070
CSS	050072
CSS	050088
CSS	050090
CSS	050100
CSS	050101
CSS	050103
CSS	050120
CSS	050128
CSS	050147
CSS	050159
CSS	050178
CSS	050182
CSS	050200
CSS	050208
CSS	050210
CSS	050217
CSS	050225
CSS	050229
CSS	050247
CSS	050250
CSS	050254
CSS	050263
CSS	050271
CSS	050280
CSS	050286
CSS	050299
CSS	050304
CSS	050330
CSS	050335
CSS	050338
CSS	050353
CSS	050370
CSS	050381

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	050405
CSS	050410
CSS	050412
CSS	050470
CSS	050497
CSS	050513
CSS	050517
CSS	050528
CSS	050533
CSS	050543
CSS	050553
CSS	050557
CSS	050576
CSS	050613
CSS	050624
CSS	050626
CSS	050640
CSS	050650
CSS	050653
CSS	050666
CSS	050668
CSS	050677
CSS	050691
CSS	050693
CSS	050695
CSS	050696
CSS	050703
CSS	050716
CSS	050718
CSS	050721
CSS	050747
CSS	050749
CSS	050757
CSS	050767
CSS	050768
CSS	050774
CSS	050778
CSS	050782
CSS	050799
CSS	051142
CSS	051143
CSS	051176
CSS	051210
CSS	051224

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	051240
CSS	051328
CSS	051339
CSS	051378
CSS	051393
CSS	051453
CSS	051484
CSS	051518
CSS	051531
CSS	051593
CSS	051594
CSS	1650
CSS	1651
CSS	1653
CSS	1654
CSS	1655
CSS	1656
CSS	1657
CSS	1658
CSS	1659
CSS	1660
CSS	1661
CSS	1662
CSS	1663
CSS	1664
CSS	001615
CSS	1666
CSS	1667
CSS	1668
CSS	1669
CSS	1670
CSS	1671
CSS	1672
CSS	1673
CSS	1674
CSS	1675
CSS	001652
CSS	018000
CSS	018001
CSS	018002
CSS	018003
CSS	018004
CSS	018005
CSS	018006

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	018007
CSS	018008
CSS	018009
CSS	018010
CSS	018011
CSS	018012
CSS	018014
CSS	018015
CSS	018016
CSS	018017
CSS	018018
CSS	018019
CSS	018020
CSS	018021
CSS	018022
CSS	018023
CSS	018024
Boxcar	01
Boxcar	02
Boxcar	03
Boxcar	04
Boxcar	05
Boxcar	06
Boxcar	07
Boxcar	08
Boxcar	09
Boxcar	10
Boxcar	11
Boxcar	12
Boxcar	13
Boxcar	14
Boxcar	15
Boxcar	16
Boxcar	18
Boxcar	19
Boxcar	20
Boxcar	21
Boxcar	22
Boxcar	23
Boxcar	24
Boxcar	25
Boxcar	27
Boxcar	28
Boxcar	29
Boxcar	30
Boxcar	31

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
Boxcar	32
Boxcar	33
Boxcar	34
Boxcar	35
Boxcar	36
Boxcar	37
Boxcar	38
Boxcar	39
Boxcar	40
Boxcar	41
Boxcar	42
Boxcar	43
Boxcar	44

12/29/89

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Christopher E. Hagerup
Weiner McCaffrey Brodsky, & Kaplan
1350 New York Avenue N.W.
Washington, D.C. 20005-4797

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/29/89 at 10:15am and assigned recordation number(s). 16692

Sincerely yours,



Noreta R. McGee
Secretary

Enclosure(s)

16692
DEC 29 1989 10 15 AM
INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made as of December 28, 1989 by CHICAGO SOUTHSORE & SOUTH BEND RAILROAD CO., an Indiana general partnership ("Debtor"), in favor of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association (the "Agent"), acting as agent by and for the banks (the "Banks") party to the Credit Agreement dated as of the date hereof by and among Debtor, the Banks and Bank of America National Trust and Savings Association, as Agent thereunder (as such agreement may at any time be amended or modified in accordance with the terms thereof and then in effect) (the "Loan Agreement") for the ratable benefit of the Beneficiaries (as hereinafter defined). Capitalized terms are defined in Article VII hereof.

W I T N E S S E T H:

WHEREAS, the Debtor desires to obtain term loan, revolving credit and standby letter of credit loan facilities under the Loan Agreement in a principal amount of up to \$20,450,000 in order to finance the purchase of certain assets pursuant to an Agreement between Leroy G. Inskeep, as Trustee for the Chicago South Shore and South Bend Railroad, an Indiana corporation, and Southshore Acquisition Corporation (and subsequently assigned to the Debtor) dated as of October 5, 1989 (the "Purchase Agreement") and for working capital purposes;

WHEREAS, under the Loan Agreement, it is a condition precedent to the making of loans by the Banks to the Debtor that the Debtor execute and deliver to the Agent this Agreement; and

WHEREAS, the Debtor desires to execute this Agreement to satisfy the condition described in the preceding paragraph;

NOW, THEREFORE, in consideration of the premises and other benefits to the Debtor, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby makes the following representations and warranties and hereby covenants and agrees as follows:

ARTICLE I
SECURITY INTERESTS

1.1 Grant of Security Interests. (a) As collateral security for the prompt and complete payment and performance when due of all of its Obligations, the Debtor does hereby pledge, assign and transfer unto the Agent, and does hereby grant to the Agent for the ratable benefit of the Beneficiaries, a continuing security interest of first priority, subject, as to priority, only to Permitted Liens which, pursuant to applicable law, are prior in right to the Lien granted hereby, in (i) all of the right, title and interest of the Debtor in, to and under all cash, accounts, deposits, chattel paper, contract rights, instruments, securities,

insurance policies and documents now or at any time hereafter in the possession or under control of the Debtor or its bailee, and any interest thereon, (ii) all of the right, title and interest of the Debtor in, to and under each and every Receivable now existing or hereafter arising from time to time, (iii) all of the right, title and interest of the Debtor in, to and under the Purchase Agreement, including, without limitation, all moneys due and to become due to the Debtor, and any interest thereon, under or in connection with the Purchase Agreement, whether by indemnification or otherwise, and any and all contract rights, whether now existing or hereafter arising under or in connection with the Purchase Agreement (the "Purchase Agreement Rights"); provided, however, that so long as no Default or Event of Default has occurred and is continuing the Debtor shall have the exclusive control of the enforcement or settlement of any such Purchase Agreement Rights, (iv) all of the right, title and interest of the Debtor in, to and under all Inventory, whether now existing or hereafter from time to time acquired, (v) all of the right, title and interest of the Debtor in general intangibles (including, without limitation, inventions, designs, patents, patent applications, trademarks, trademark applications, trade names, copyrights, licenses, tax refund claims, guaranty claims, contract rights (including, but not limited to, fiber optic cable rights, if any), goodwill, and security interests or other security held by the Debtor to secure accounts), (vi) all of the right, title and interest of the Debtor in goods (other than Inventory), equipment (including, without limitation, all equipment used in the Debtor's business and all office equipment), vehicles, aircraft, railcars, locomotives and other rolling stock (see attached Schedule I), railroad track, and fixtures, together with all accessories, equipment, parts and appurtenances appertaining or attached thereto, and all additions, improvements, accessions and accumulations to any and all of said equipment, whether now existing or hereafter acquired, (vii) all of the right, title and interest of the Debtor in all of the Debtor's leases, including, without limitation, those leases identified on Schedule II hereto, whether now or hereafter existing, of railcars and locomotives (see attached Schedule III), and all additions, improvements, substitutions, renewals or replacements to such railcars and locomotives (collectively, the "Leased Equipment") between the Debtor as Lessee and other parties as Lessors (the "Lessors"), including, without limitation, (A) all claims for damages arising out of the breach of any Leases, (B) the right, if any, to terminate any Lease, to perform thereunder and to compel performance of the terms thereof, (C) the right to take possession of the Leased Equipment and to use any and all of the Leased Equipment, subject to the right of the Lessors therein, (D) the right to make all waivers and agreements and to enter into any amendments relating to any Lease or any provision thereof, (E) the right to take such action upon the occurrence of an event of default under any Lease, including, without limitation, the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by any Lease or by law,

and (F) all other rights, claims and causes of action, if any, which Borrower may have against any Lessor with respect to any Lease including, without limitation, the right to exercise any purchase options under such Leases, (viii) all of the right, title and interest of the Debtor in all books and records, including without limitation, customer lists, credit files, computer programs, print-outs, and other materials and records pertaining to any of the foregoing, (ix) all of the shares of capital stock of any Subsidiary of the Borrower, now owned or hereafter acquired by the Debtor, such shares constituting or to constitute all of the issued and outstanding shares of capital stock of each such Subsidiary, (x) all Proceeds of the foregoing (including, without limitation, all insurance and claims for insurance effected or held for the benefit of the Debtor or the Beneficiaries in respect thereof), (xi) all documents of title evidencing or issued with respect to any of the foregoing, (xii) products of any and all of the foregoing, (xiii) all substitutions, renewals and replacements for any of the foregoing, and (xiv) all other personal property of the Debtor, whether now owned or hereafter acquired (all of the above collectively, the "Collateral").

(b) The assignment and security interest so granted to the Agent shall not relieve the Debtor from the performance of any term, covenant, condition or agreement on the Debtor's part to be performed or observed under or in respect of any of the Collateral or from any liability to any Person under or in respect of any of the Collateral or impose any obligation on the Agent to perform or observe any such term, covenant, condition or agreement on the Debtor's part to be so performed or observed or impose any liability on the Agent for any act or omission on the part of the Debtor relative thereto or for any breach of any representation or warranty on the part of the Debtor contained in this Agreement or any other Loan Document, or in respect of the Collateral or made in connection herewith or therewith.

(c) The security interest of the Agent under this Agreement extends to all Collateral of the kind which is the subject of this Agreement and which the Debtor may acquire at any time during the continuation of this Agreement.

(d) Notwithstanding anything to the contrary contained or implied in this Agreement or any other Loan Document, if NICTD exercises any or all of its options to purchase certain assets of the Debtor pursuant to and in accordance with Sections 2.3(b) and 2.6 and Article IX of the NICTD Agreement and pursuant to and in accordance with the Option Agreement, the Agent shall release the security interest granted in any Collateral to be sold pursuant thereto and shall execute any documents necessary to effectuate such release in accordance with Section 8.11 hereof, provided, that the proceeds of such exercise are applied in accordance with Section 2.08 of the Credit Agreement, and provided, further, that in no event may the Debtor assign its rights under the Option

Agreement except to one of its wholly-owned Subsidiaries existing on the date of this Agreement.

1.2 Power of Attorney. The Debtor hereby constitutes and appoints the Agent its true and lawful attorney, irrevocably, with full power after the occurrence and during the continuance of an Event of Default in respect of the payment of principal or interest on the Notes or an Event of Default under the Loan Agreement or any Loan Document, upon acceleration or otherwise (in the name of Debtor or otherwise), to require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to the Debtor under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Agent may deem to be necessary or advisable. This appointment as attorney is coupled with an interest.

ARTICLE II GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

The Debtor represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement and any investigation by or on behalf of the Agent or any Beneficiary, as follows:

2.1 Necessary Filings. All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by the Debtor to the Agent hereby in respect of the Collateral have been accomplished and the security interest granted to the Agent pursuant to this Agreement in and to the Collateral constitutes a perfected security interest therein superior and prior to the rights of all other Persons therein (except Persons holding Permitted Liens) and subject to no other Liens (except Permitted Liens) and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code or other relevant law as enacted in any relevant jurisdiction which relates to perfected security interests. Without limiting in any way the obligations of the Debtor set forth herein, if the Agent shall notify the Debtor of any filing required to be made pursuant to this Section 2.1, the Debtor shall have five (5) business days from such notice to make any such filing.

2.2 Title to Collateral. The Debtor has good and marketable title to, or a validly existing leasehold interest in, all material items of real and personal property reflected in the Independent Accountant's Compilation Report delivered pursuant to Section 3.01(n) of the Loan Agreement or acquired by the Debtor after the date of such report, except for (i) assets sold, transferred or otherwise disposed of in the ordinary course of business since the date of such report and (ii) Permitted Liens and other Liens permitted by the Loan Agreement and except that (i) the

Debtor has marketable title to its real property only as a rail line and (ii) the Debtor owns certain of its assets jointly with NICTD pursuant to the NICTD Agreement, such assets being described in Section 9.1 of the NICTD Agreement. The Debtor will not (i) create, incur, assume or permit to exist any Lien on any existing or future item of Collateral other than Permitted Liens and Liens in favor of the Agent and the Banks as contemplated by the Loan Agreement, the Debtor hereby agreeing to preserve and maintain in full force and effect the Liens on the Collateral created by this Agreement in favor of the Banks or (ii) take, cause or permit to be taken or cause any action to be taken, which would create a Lien, or suffer to exist any Lien, on the capital stock of any Subsidiary of the Debtor which would require the sharing of any interest in such capital stock with any Person or (iii) enter into or assume any agreement containing a negative pledge which would require a sharing of an interest in the Collateral or prohibits or limits the grant of any such interest. Until all of the Obligations shall have been fully paid and satisfied, the Agent shall be entitled to retain security in and Liens upon all Collateral and all of the Agent's rights and remedies shall continue.

2.3 Other Financing Statements. There is no financing statement (or similar-statement or instrument of registration under the law of any jurisdiction) on file (other than those filed in connection with Permitted Liens) in any public office covering or purporting to cover any interest of any kind of the Debtor in the Collateral other than financing statements filed in connection herewith and so long as the Commitment of any Bank remains in effect in whole or in part or any of the Obligations remains unpaid, the Debtor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by the Debtor or in connection with financing leases permitted by the Loan Agreement or as otherwise permitted by the Loan Agreement (including with respect to Permitted Liens). The Debtor does not do business under any names except for the following: Chicago SouthShore & South Bend Railroad Co.

2.4 Chief Executive Office; Records. The chief executive offices of the Debtor are located at North Carroll Avenue, Michigan City, Indiana. The Debtor will not move its chief executive offices except to such new location as the Debtor may establish in accordance with the last sentence of this Section 2.4. Evidence of all Receivables of the Debtor and the books of account and records of the Debtor relating thereto are, and will continue to be, kept at such chief executive offices, or at such new location for such chief executive office as the Debtor may establish in accordance with the last sentence of this Section 2.4. All

Receivables of the Debtor are, and will continue to be, controlled and monitored (including, without limitation, for general accounting purposes) from, such chief executive office location shown above, or such new location as the Debtor may establish in accordance with the last sentence of this Section 2.4. The Debtor shall not establish a new location for its chief executive office until (i) it shall have given to the Agent not less than 30 days' prior written notice of its intention with respect to such establishment, clearly describing such new location and providing such other information in connection therewith as the Agent may reasonably request, and (ii) with respect to such new location, it shall have taken all action reasonably satisfactory to the Agent, to maintain the perfection of the security interest of the Agent in the Collateral granted hereby at all times fully perfected and in full force and effect.

2.5 Location of Inventory. All Inventory held on the date hereof by the Debtor is located at one of the locations shown on Annex A attached hereto. The Debtor agrees that, except as provided herein, all Inventory now held or subsequently acquired by it shall be kept at (or shall be in transit to or from) any one of the locations shown on Annex A hereto, or such new location as the Debtor may establish if (i) it shall have given to the Agent prior telephonic (immediately confirmed in writing) or written notice of its intention to do so, clearly describing such new location and providing such other information in connection therewith as the Agent may reasonably request, and (ii) with respect to such new location, it shall have taken all action reasonably satisfactory to the Agent to cause the security interest in the Collateral granted hereby to be and continue at all times fully perfected and in full force and effect.

2.6 Rolling Stock. All railcars, locomotives and other rolling stock owned by the Debtor are identified by serial, running or other identifying number of Schedule I hereto; all railcars, locomotives and other rolling stock leased by the Debtor are identified by serial, running or other identifying number on Schedule III hereto; and all of the Debtor's now existing Leases are set forth on Schedule II hereto. The Debtor shall not enter into any renewals or extensions of its existing Leases with a term in excess of 100 days or enter into any new Leases with a term in excess of 100 days without first obtaining the Lessor's written consent to this Agreement.

2.7 Additional Representations and Warranties of the Debtor. The Debtor hereby makes and adopts for the benefit of, and as a representation and warranty to, the Agent each of the representations and warranties made by the Debtor and contained or incorporated by reference in the Loan Agreement as fully as if each such representation and warranty (together with related definitions and related provisions) were expressly set forth herein and expressly made herein by the Debtor on and as of the date hereof,

each such representation and warranty being incorporated in this Agreement by reference, mutatis mutandis, and, as so made and adopted by the Debtor incorporated herein by reference, shall continue in full force and effect for the benefit of the Agent until this Agreement shall have been terminated pursuant to Section 8.11.

2.8 Affirmative and Negative Covenants of Debtor. The Debtor hereby assumes and adopts and agrees to perform, comply with and be bound by, for the benefit of the Agent, each of the covenants, obligations and agreements made by the Debtor in the Loan Agreement as fully as if each such covenant, obligation and agreement (together with related definitions and related provisions) were expressly made herein by the Debtor, each such covenant, obligation and agreement being incorporated in this Agreement by reference mutatis mutandis, and as so assumed and adopted by the Debtor and incorporated herein by reference, shall continue for the benefit of the Agent until this Agreement shall have been terminated pursuant to Section 8.11. Compliance by the Debtor with its covenants, obligations and agreements in the Loan Agreement in accordance with the Loan Agreement shall be deemed to be compliance with such covenants, obligations and agreements as they are incorporated by reference herein.

ARTICLE III SPECIAL PROVISIONS CONCERNING RECEIVABLES

3.1 Special Representations and Warranties. As of the time when each of its Receivables arises, the Debtor shall be deemed to have represented and warranted that such Receivable and all records, papers and documents relating thereto (if any) (i) are genuine and in all respects what they purport to be, (ii) to the best of the Debtor's knowledge, represent the legal, valid and binding obligation of the account debtor evidencing indebtedness unpaid and owed by such account debtor arising out of the performance of labor or services or the sale or lease and delivery of the merchandise listed therein, or both, (iii) will (in the case of such records, papers and documents), except for the original or duplicate original invoice sent to a purchaser evidencing such purchaser's account, be the only original writings evidencing and embodying such obligation of the account debtor named therein (other than copies created for purposes other than general accounting purposes), (iv) constitute evidence true and, to the best of the Debtor's knowledge, valid obligations, to the best of the Debtor's knowledge, enforceable in accordance with their respective terms and not subject to the fulfillment of any contract or condition whatsoever or to any defenses, set-offs or counterclaims (except with respect to refunds, returns and allowances in the ordinary course of business with respect to damaged or otherwise non-merchantable merchandise), or stamp or other taxes, and (v) are in material compliance and conform in all material respects with all applicable federal, state and local laws

and the applicable laws of any relevant foreign jurisdiction. Substantially all Inventory is of good and merchantable quality for its intended use and is free from any defects that would affect its market value.

3.2 Maintenance of Records. The Debtor will keep and maintain at its own cost and expense satisfactory and complete records of each Receivable for at least three (3) years from the date on which such Receivable comes into existence, including, but not limited to, records of all payments received, all credits granted thereon, all merchandise returned and all other documentation relating thereto, and the Debtor will make the same available to the Agent for inspection, at the Debtor's own cost and expense, at any and all reasonable times upon demand. Upon the occurrence and continuance of an Event of Default, the Debtor shall, at its own cost and expense, deliver all tangible evidence of its Receivables (including, without limitation, all documents evidencing the Receivables) and such books and records to the Agent or to its representatives (copies of which evidence, books and records may be retained by the Debtor) at any time upon its demand. The Debtor shall legend, in form and manner satisfactory to the Agent, the Receivables and other books, records and documents of the Debtor evidencing or pertaining to the Receivables with an appropriate reference to the fact that the Receivables have been pledged to the Agent and that the Agent has a security interest therein. The Debtor expressly agrees that, upon the occurrence and during the continuance of an Event of Default, the Agent may transfer a full and complete copy of the Debtor's books, records, credit information, reports, memoranda and all other writings relating to the Receivables to and for the use by any Person that has acquired or is contemplating acquisition of an interest in the Receivables or the Agent's security interest therein without the consent of the Debtor.

3.3 Direction to Account Debtors, etc. Upon the occurrence and during the continuance of an Event of Default under the Loan Agreement, if the Agent so directs, the Debtor agrees to notify all account debtors to make payments to the Cash Collateral Account. If notwithstanding such notice the Debtor receives any payments on account of the Receivables, the Debtor agrees to hold such payments in trust for the benefit of the Agent and any instrument or cash received by the Debtor will be immediately forwarded to Agent. Without notice to or assent by the Debtor, the Agent may apply any or all amounts then in, or thereafter deposited in, the Cash Collateral Account in the manner provided in Article V of this Agreement. The costs and expenses (including attorneys' fees and the allocated costs of staff counsel) of collection, whether incurred by the Debtor or the Agent, shall be borne by the Debtor.

3.4 Modification of Terms, etc. The Debtor shall not rescind or cancel any indebtedness evidenced by any Receivable or

modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any dispute, claim, suit or legal proceeding relating thereto, or sell any Receivable or interest therein, without the prior written consent of the Required Beneficiaries, except as permitted by Section 3.5 hereof and except for Receivables with a value of less than \$30,000 in the aggregate at any one time. The Debtor will duly fulfill all obligations on its part to be fulfilled under or in connection with the Receivables and will do nothing to impair the rights of the Agent in the Receivables.

3.5 Collection. The Debtor shall endeavor to collect from the account debtor of each of its Receivables, as and when due (including, without limitation, Receivables which are delinquent, such Receivables to be collected in accordance with generally accepted lawful collection procedures) any and all amounts owing under or on account of such Receivables, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Receivables, except that, prior to the occurrence of a Default or an Event of Default, the Debtor may allow in the ordinary course of business as adjustments to amounts owing under its Receivables (i) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which the Debtor finds appropriate in accordance with sound business judgment and (ii) a refund or credit due as a result of returned or damaged merchandise, all in accordance with the Debtor's ordinary course of business consistent with its collection practices as in effect from time to time.

3.6 Instruments. If any Receivable(s) from any one account debtor aggregating in excess of \$20,000 or any group of Receivables aggregating in excess of \$100,000 become evidenced by an Instrument(s) (other than a check payable to the order of the Debtor which is promptly cashed by the Debtor), the Debtor will within 10 days notify the Agent thereof, and upon request by the Agent promptly deliver such Instrument(s) to the Agent appropriately endorsed to the order of the Agent as further security hereunder.

3.7 Further Actions -- Receivables. The Debtor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Receivables and other property or rights covered by the security interest hereby granted, as the Agent may require.

ARTICLE IV
PROVISIONS CONCERNING ALL COLLATERAL

4.1 Location of Goods and Equipment. All goods and equipment held on the date hereof by the Debtor are located (or in transit to or from) at one of the locations shown on Annex B attached hereto. The Debtor agrees that, except as provided herein, all goods and equipment now held or subsequently acquired by it shall be kept at (or shall be in transit to or from) any one of the locations shown on Annex B hereto, or such new location as the Debtor may establish if (i) it shall have given to the Agent prior telephonic (immediately confirmed in writing) or written notice of its intention to do so, clearly describing such new location and providing such other information in connection therewith as the Agent may reasonably request, and (ii) with respect to such new location, it shall have taken all action satisfactory to the Agent to cause the security interest in the Collateral granted hereby to be and continue at all times fully perfected and in full force and effect.

4.2 Further Actions -- Collateral. The Debtor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Agent from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, security agreements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral. The Debtor shall promptly notify the Agent of any material loss or depreciation in the value of the Collateral.

4.3 Financing Statements. The Debtor agrees to sign and deliver to the Agent such financing statements, security agreements or other documents, in form reasonably acceptable to the Agent, as the Agent may from time to time reasonably request in order to establish and/or maintain a valid, enforceable, first priority security interest in the Collateral as provided herein and the other rights, as against third parties, provided hereby, all in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions or any other relevant law. The Debtor will pay any applicable filing or recording fees and related expenses. The Debtor authorizes the Agent to file any such financing statements, security agreements or other documents without the signature of the Debtor.

4.4 Warehouse Receipts Non-Negotiable. The Debtor agrees that if any warehouse receipt or receipt in the nature of

a warehouse receipt is issued with respect to any of its Inventory, such warehouse receipt or receipt in the nature thereof shall not be "negotiable" (as such term is used in Section 7-104 of the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law).

4.5 Protection of Agent's Security. The Debtor will do nothing to impair the rights of the Agent in the Collateral. Unless the Debtor gives the Agent at least 45 days' prior written notice thereof, the Debtor shall not re-mark any railcar, locomotive or other unit of rolling stock owned or leased by the Debtor now or in the future with new or different identification numbers or otherwise alter any such railcar, locomotive or other unit of rolling stock in such a manner such that the description of such railcar, locomotive or other unit of rolling stock contained in Schedule I hereto would become inaccurate. The Debtor will at all times keep the Collateral insured in favor of the Agent in compliance with the requirements of the Loan Agreement. The Debtor assumes all liability and responsibility in connection with the Collateral acquired by it, and the liability of the Debtor to pay its Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, stolen, damaged, or for any reason whatsoever unavailable to the Debtor. The Debtor shall keep and maintain in good operating condition and repair and make all necessary replacements of and renewals to the Collateral listed in Section 1.1 (a) (vi) and (vii) hereof so that the value and operating efficiency thereof shall at all times be maintained and preserved.

4.6 Transfers Prohibited. Except as permitted by the Loan Agreement, the Debtor will not sell, assign or transfer its rights under this Agreement or sell, assign or transfer any Collateral or transfer the right to possession of any Collateral.

4.7 Lease Covenants. The Debtor shall faithfully abide by, perform and discharge each and every material obligation, covenant, condition, duty and agreement which the Leases provide are to be performed by the Debtor. Without the prior written consent of the Agent, the Debtor shall not amend, modify or otherwise change in any material respect or terminate any of the Leases. Any attempts at amendment, modification, other change or termination of the Leases made in violation of the provisions of this Section 4.7 shall be void.

ARTICLE V REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

5.1 Remedies: Obtaining the Collateral Upon Event of Default. The Debtor agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, subject to any mandatory requirements of applicable law then in effect, the Agent may:

(a) personally, or by agents or attorneys, immediately retake possession of the Collateral or any part thereof, from the Debtor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon the Debtor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of the Debtor; and

(b) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Receivables) constituting the Collateral to make any payment required by the terms of such instrument or agreement directly to the Agent; and

(c) withdraw all monies, securities and instruments in the Cash Collateral Account for application to the Obligations; and

(d) sell or otherwise liquidate, or direct the Debtor to sell or otherwise liquidate, any or all investments made in whole or in part with the Collateral or any part thereof, and take possession of the proceeds of any such sale or liquidation; and

(e) take possession of the Collateral or any part thereof, by directing the Debtor in writing to deliver the same to the Agent at any reasonable place or places designated by the Agent, in which event the Debtor shall at its own expense:

(i) forthwith cause the same to be moved to the place or places so designated by the Agent and there delivered to the Agent,

(ii) store and keep any Collateral so delivered to the Agent at such place or places pending further action by the Agent, and

(iii) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition;

it being understood that the Debtor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Agent shall be entitled to a decree requiring specific performance by the Debtor of said obligation.

5.2 Remedies; Disposition of the Collateral. (a) Upon the occurrence and during the continuance of an Event of Default, the Agent shall have, in addition to any other rights and remedies contained in this Agreement or in the Loan Agreement, all of the rights and remedies of a secured party under the Uniform Commercial Code of Illinois or other applicable laws, all of which rights and remedies shall be cumulative and non-exclusive, to the extent permitted by law. Any Collateral repossessed by the Agent under or pursuant to Section 5.1 and any other Collateral whether or not so repossessed by the Agent, may be sold, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms and for such prices as the Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Upon the occurrence and continuance of any Event of Default, the Agent shall have the power to foreclose the Debtor's right of redemption in the Collateral by sale, lease or other disposition of the Collateral in accordance with the Uniform Commercial Code as enacted in each state where the Collateral is located or under any other applicable law. Any of the Collateral may be sold, leased or otherwise disposed of in the condition in which the same existed when taken by the Agent or after any overhaul or repair which the Agent shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by the requirements of applicable law shall be made after written notice to the Debtor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor. Any such disposition which shall be a public sale permitted by such requirements shall be made after written notice to the Debtor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction. To the extent permitted by any such requirement of law, the Agent or any Beneficiary (including any Bank) may itself bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section without accountability to the Debtor (except to the extent of surplus money received as provided in Section 5.4). In the payment of the purchase price of the Collateral, the purchaser shall be entitled to have credit on account of the purchase price thereof of amounts owing to such purchaser on account of any of the Obligations held by such purchaser and any such purchaser may deliver notes, claims for interest, or claims for other payment with respect to such Obligations in lieu of cash up to the amount which would, upon distribution of the net proceeds of such sale, be payable thereon. Such notes, if the amount payable hereunder shall be less than the amount due thereon, shall be returned to the holder thereof after being appropriately stamped to show partial payment. If, under mandatory requirements of applicable law, the Agent shall be required to make disposition of the Collateral within a period of

time which does not permit the giving of notice to the Debtor as hereinabove specified, the Agent need give the Debtor only such notice of disposition as shall be reasonably practicable in view of such mandatory requirements of applicable law.

(b) No notification need be given to the Debtor if it has signed, after a Default or an Event of Default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and remedies granted to it in this Agreement and in the Loan Agreement and other Loan Documents, the Agent shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the state in which the Collateral is located.

5.3 Waiver of Claims. Except as otherwise provided in this Agreement, THE DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE AGENT'S TAKING POSSESSION OR THE AGENT'S DISPOSITION OF ANY OF THE COLLATERAL INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE DEBTOR WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and the Debtor hereby further waives:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Agent's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Agent's rights hereunder; and

(c) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and the Debtor, for itself and all persons who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Debtor therein and thereto, and shall be a perpetual bar both at law and in equity against the Debtor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Debtor.

5.4 Application of Proceeds. The proceeds of any Collateral obtained pursuant to Section 5.1 or disposed of pursuant to Section 5.2 shall be applied as follows:

First: to the payment of the costs and expenses of such sale and of any judicial or private proceedings in which such sale may be made, and of all other expenses, liabilities and advances made or incurred by the Agent, its agents and attorneys, or any Beneficiary, its agents and attorneys, under this Agreement, together with interest at the interest rate specified in Section 2.11 of the Loan Agreement on such costs, expenses and liabilities and on all advances made by the Agent from the date any such cost, expense or liability is due, owing or unpaid or any such advance is made, in each case until paid in full.

Second: to the payment of all amounts then due, owing or unpaid under this Agreement, the Mortgages and the Loan Agreement, other than interest and principal in respect of the loans pursuant to the Loan Agreement or the Notes and amounts payable under subparagraph "First" above, together with interest on each such amount at the interest rate specified in Section 2.11 of the Loan Agreement from and after the date such amount became due, owing or unpaid until paid in full.

Third: to the payment of the interest then due, owing or unpaid in respect of the loans pursuant to the Loan Agreement or the Notes together with interest thereon at the interest rate specified in Section 2.11 of the Loan Agreement from the date due, owing or unpaid until paid in full.

Fourth: to the payment of the whole amount of principal then due, owing or unpaid in respect of any loans pursuant to the Loan Agreement or the Notes with interest on such unpaid principal at the interest rate specified in Section 2.11 of the Loan Agreement from and after happening of any Event of Default until paid in full.

Fifth: the surplus, if any, to be paid to the Debtor or to whomever else may be lawfully entitled to receive such surplus.

5.5 Remedies Cumulative. Each and every right, power and remedy hereby specifically given to the Agent shall be in addition to every other right, power and remedy specifically given under this Agreement or under the other Loan Documents or now or hereafter existing at law or in equity, or by statute and each and every right, power and remedy whether specifically herein given or

otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise any of the others. No delay or omission of the Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence therein. In the event that the Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Agent may recover reasonable expenses, including attorney's fees, and the amounts thereof shall be included in such judgment.

5.6 Discontinuance of Proceedings. In case the Agent shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Agent, then and in every such case the Debtor, the Agent and each holder of any of the Obligations shall be restored to their respective former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Agent shall continue as if no such proceeding had been instituted.

5.7 Notice. Except as otherwise provided in this Agreement, the Debtor agrees that any notice delivered 48 hours prior to any action to be taken hereunder, including without limitation notice of the time and place of any public sale or the time after which a private sale or other intended disposition is to take place, shall conclusively be deemed reasonable for all purposes hereunder.

ARTICLE VI INDEMNITY

6.1 Indemnity. (a) The Debtor agrees to indemnify the Agent and its respective successors, assigns, employees, agents and servants as provided by Section 9.11 of the Loan Agreement as if such Section were fully set forth herein.

(b) Without limiting the application of Section 6.1(a), the Debtor agrees to pay, or reimburse the Agent for (if the Agent shall have incurred fees, costs or expenses, including reasonable attorneys' fee (or staff counsel fees)) any and all fees, costs and expenses of whatever kind or nature incurred by the Agent in connection with the creation, preservation or protection of the Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes (excluding income or

similar taxes) or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the Agent's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(c) Without limiting the application of Section 6.1(a) or (b), the Debtor agrees to pay, indemnify and hold the Agent and the Beneficiaries (each, an "Indemnatee") harmless from and against any loss, costs, damages and expenses which such Indemnatee may suffer, expend or incur in consequence of or growing out of any misrepresentation by the Debtor in this Agreement or any of the other Loan Documents or in any writing delivered pursuant to or in connection with this Agreement or any of the other Loan Documents.

(d) If and to the extent that the obligations of the Debtor under this Section 6.1 are unenforceable for any reason, the Debtor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

(e) The obligations of the Debtor contained in this Section 6.1 shall survive the termination of this Agreement and the discharge of the Debtor's other obligations hereunder.

6.2 Indemnity Obligation Secured by Collateral: Survival. Any amounts paid by any Indemnatee as to which such Indemnatee has the right to reimbursement shall constitute Obligations secured by the Collateral. The indemnity obligations of the Debtor contained in this Article VI shall continue in full force and effect notwithstanding the full payment of the Notes issued under the Loan Agreement and all of the other Obligations and notwithstanding the discharge thereof.

ARTICLE VII DEFINITIONS

7.1 Definitions. The following terms shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

"Agent" shall have the meaning specified in the first paragraph of this Agreement.

"Agreement" shall mean this Security Agreement as the same may be modified, supplemented or amended from time to time in accordance with its terms.

"Debtor" shall have the meaning specified in the first paragraph of this Agreement.

"Banks" shall have the meaning specified in the first paragraph of this Agreement.

"Beneficiaries" shall mean the Banks and any holder of an Obligation other than the Debtor or any Subsidiary or any Affiliate of Debtor.

"Cash Collateral Account" shall mean a restricted interest bearing cash collateral account maintained with the Agent for the benefit of the Beneficiaries.

"Collateral" shall have the meaning specified in Section 1.1(a).

"Indemnitee" shall have the meaning specified in Section 6.1.

"Instrument" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Inventory" shall mean, inclusively, all goods, merchandise and other personal property, wherever located, now owned or hereafter acquired by the Debtor of every kind or description which are held for sale or lease or are furnished or to be furnished under a contract of service or are raw materials, work-in-process or materials used or consumed or are to be used or consumed in Debtor's business.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale of receivables with recourse against the seller or any affiliate of the seller, any filing or agreement to file a financing statement as debtor under the Uniform Commercial Code or any similar statute other than to reflect ownership by a third party of property leased to the Debtor under a lease which is not in the nature of a conditional sale or title retention agreement, or any subordination arrangement in favor of another Person.

"Loan Agreement" shall have the meaning provided in the first paragraph of this Agreement.

"NICTD" shall mean the Northern Indiana Commuter Transportation District, a municipal corporation.

"NICTD Agreement" shall mean the Memorandum Agreement dated September 27, 1989 between NICTD and Anacostia & Pacific

Company, Inc., as in effect on the date of this Agreement without giving effect to any amendment or modification thereto.

"Obligations" shall mean (i) all payments to be made by the Debtor under the Notes when and as the same shall become due and payable, whether upon stated maturity, by acceleration or otherwise, according to the terms of the Notes, (ii) all payments to be made by the Debtor under the Loan Agreement or any other Loan Document to the Agent or to any Beneficiary, when and as the same shall become due and payable whether upon stated maturity, by acceleration or otherwise, according to the terms of the relevant Loan Agreement or Loan Document, (iii) all losses, costs, and expenses incurred by the Agent or any Beneficiary due to engaging in any Interest Expense Hedging Arrangements with the Debtor, and (iv) all other liabilities, obligations, duties, covenants or agreements of the Debtor to or with the Agent or any of the Beneficiaries (whether in their individual capacity or as an Agent), however created, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising out of or in any way relating to the Notes or the Loan Agreement or any other Loan Document.

"Option Agreement" shall mean the Option Agreement dated as of December 29, 1989 between NICTD and the Debtor, as in effect on the date of this Agreement without giving effect to any amendment or modification thereto.

"Proceeds" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law and, in any event shall include, but not be limited to (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Agent or to the Debtor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the Debtor from time to time in connection with the requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Purchase Agreement Rights" shall have the meaning specified in Section 1.1.

"Receivables" means presently existing and hereafter arising or acquired accounts receivable, notes, drafts, acceptances, choses in action and other forms of obligations and receivables relating in any way to Inventory or arising from the sale of Inventory or the rendering of services by Debtor or howsoever otherwise arising, including the right to payment of any interest or finance charges with respect thereto and all proceeds of insurance with respect thereto, together with all merchandise

represented by any of the Receivables, all of the Debtor's rights as an unpaid vendor, all pledged assets and letters of credit, guaranty claims, liens and security interests (unless otherwise prohibited by the applicable terms thereof) held by or granted to the Debtor to secure payment of any Receivables and all books, customer lists, ledgers, records and files (whether written or stored electronically) relating to any of the foregoing.

"Required Beneficiaries" shall mean the holders of 66-2/3% of the aggregate principal amount of the Obligations other than the Debtor or any Subsidiary or any Affiliate of Debtor.

Unless otherwise defined herein, all capitalized terms used herein shall have such meanings specified therefor in the Loan Agreement as in effect on the date hereof. Unless otherwise defined herein, or in the Loan Agreement, all terms that are defined in the Uniform Commercial Code as enacted in the relevant jurisdiction shall have the same meanings herein as in the Uniform Commercial Code.

ARTICLE VIII MISCELLANEOUS

8.1 No Waiver, Modifications in Writing. No failure or delay on the part of the Agent or any Beneficiary in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Agent or any Beneficiary at law or in equity or otherwise. No amendment, modification, supplement, termination or waiver of or to any provision of this Agreement, nor consent to any departure by the Debtor therefrom, shall be effective unless the same shall be in writing and signed by or on behalf of the Required Beneficiaries. Any amendment, modification or supplement of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure by the Debtor from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement, the Loan Agreement or any other Loan Document, no notice to or demand on the Debtor in any case shall entitle the Debtor to any other or further notice or demand in similar or other circumstances.

8.2 Notices, etc. Except where telephonic instructions or notices are authorized to be given, all notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto or any other Person shall be in writing and shall be personally delivered or sent by

registered or certified mail, postage prepaid, return receipt requested, or by a reputable courier delivery service, or by prepaid telex, TWX or telegram (with messenger delivery specified in the case of a telegram), or by telecopier, and shall be deemed to be given for purposes of this Agreement on the earlier of the day that such writing is delivered or five days after it was sent to the intended recipient thereof in accordance with the provisions of this Section 8.2. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section 8.2, notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses (or to their respective telex, TWX or telecopier numbers) indicated below and, in the case of telephonic instructions or notices, by calling the telephone number or numbers indicated for such party below:

If to the Debtor:

Chicago SouthShore & South Bend Railroad Co.
North Carroll Avenue
Michigan City, Indiana 46360-5082
Attention: President

With a copy to:

Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60602
Attention: Nancy S. Kornick, Esq.

If to Bank of America National Trust and Savings Association, in its individual capacity and as Agent:

Payment Services Operations - #5693
1850 Gateway Boulevard
Concord, California 94520
Attention: Atlanta Corporate Office
Account Administrator
Telex: 34346

With a copy to:

Bank of America National Trust
and Savings Association
Atlanta Corporate Office
230 Peachtree Street, N.W.
Suite 1700
Atlanta, Georgia 30303
Telex: 804345 or 804562

8.3 Costs, Expenses and Taxes. The Debtor agrees to pay all costs and expenses as provided for in Section 9.05 of the Loan Agreement as if such Section were fully set forth herein.

8.4 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

8.5 Binding Effect; Assignment. This Agreement shall be binding upon, and inure to the benefit of, the Debtor, the Agent, the Banks and the other Beneficiaries and their respective successors and assigns; provided, however, that the Debtor may not assign its rights or obligations hereunder or in connection herewith or any interest herein (voluntarily, by operation of law or otherwise) without the prior written consent of the Required Beneficiaries.

8.6 Consent to Jurisdiction. The Debtor hereby irrevocably submits the non-exclusive jurisdiction of any United States Federal or Illinois State court sitting in Chicago, Illinois in any action or proceeding arising out of or relating to this Agreement, and the Debtor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in any such United States Federal or Illinois State court and the Debtor irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens which it may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions. As a method of service, the Debtor irrevocably consents to the service of any and all process in any such action or proceeding brought in any court in or of the State of Illinois by the delivery of copies of such process to the Debtor at its address specified in Section 8.2 hereof or by certified mail direct to such address.

8.7 Governing Law. This Agreement shall be deemed to be a security agreement made under the laws of the State of Illinois, and for all purposes shall be construed in accordance with the laws of said State, without regard to principles of conflicts of law, except for the perfection and enforcement of security interests and liens in other jurisdictions, which shall be governed by the laws of those jurisdictions. Nothing contained in this Agreement and no action taken by the Agent or any Beneficiary pursuant hereto shall be deemed to constitute the Agent or the Beneficiaries a partnership, an association, a joint venture or other entity.

8.8 Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

8.9 Headings. The Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

8.10 Obligations Absolute. The security interest created hereby and the obligations of the Debtor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Debtor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Agreement or the Loan Agreement or any other Loan Document except as specifically set forth in a waiver granted pursuant to the provisions of Section 8.1 hereof; or (c) any amendment to or modification of the Loan Agreement or any Loan Document or any security for any of the Obligations, whether or not the Debtor shall have notice or knowledge of any of the foregoing.

8.11 Termination; Release. The Debtor may sell any part of the Collateral only in compliance with the terms and conditions of the Loan Agreement. In the event of such a sale the Agent, at the request and expense of the Debtor, will execute and deliver to the Debtor the proper instruments (including Uniform Commercial Code partial releases on form UCC-3) acknowledging the release of such Collateral from the security interests created under this Agreement. This Agreement shall terminate at such time as no Commitment by any Beneficiary remains outstanding to the Debtor under the Loan Agreement and after the Debtor shall have no Obligations of any kind outstanding to the Beneficiaries under the Loan Agreement, the Notes, the Mortgages or this Agreement. Upon the termination of this Agreement, the Agent, at the request and expense of the Debtor, will execute and deliver to the Debtor the proper instruments (including Uniform Commercial Code termination statements on form UCC-3) acknowledging the termination of this Agreement, and will duly assign, transfer and deliver to the Debtor (without recourse and without any representation or warranty) such of the Collateral as may be in possession of the Agent and has not theretofore been sold or otherwise applied or released pursuant to this Agreement.

8.12 Filing. The Debtor will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303; and the Debtor will from time to time perform any other act and will execute, acknowledge, deliver

and file any and all further instruments required by law and requested by the Agent for the purpose of protection, to the satisfaction of counsel for the Agent, of its rights in the Collateral and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Debtor will promptly furnish to the Agent certificates or other evidence of such filing reasonably satisfactory to the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

CHICAGO SOUTHSORE & SOUTH BEND
RAILROAD CO.

By: JOE TRANSPORTATION CO., its
general partner

By: *J. M. Springer*

Title: Vice President

By: SOUTHSORE CORPORATION, its
general partner

By: *Brucy Hilber*

Title: Vice President


BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, as Agent

By: *R. M. Linn*

Title: Vice President

STATE OF Illinois)
)
COUNTY OF Cook) ss.:

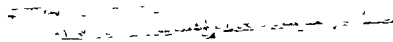
On this 28th day of December, 1989, before me personally appeared Jerry Springer, to me personally known, who, being by me duly sworn, says that he is the Vice President of JOF Transportation Co., an Indiana corporation, which is a general partner of CHICAGO SOUTHSORE & SOUTH BEND RAILROAD CO., an Indiana general partnership, that said instrument was signed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public

[Notarial Seal]

My Commission expires



STATE OF Illinois)
)
COUNTY OF Cook)
)
 ss.:

On this 28th day of December, 1989, before me personally appeared Bruce L. Jarman, to me personally known, who, being by me duly sworn, says that he is the Vice President of SouthShore Corporation, a Delaware corporation, which is a general partner of CHICAGO SOUTHSORE & SOUTH BEND RAILROAD CO., an Indiana general partnership, that said instrument was signed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Maree A. Shaff
Notary Public

[Notarial Seal]

My Comm. Expires Jan. 22, 1991

STATE OF Illinois)
)
COUNTY OF Cook) ss.:

On this 28th day of December, 1989, before me personally appeared Dennis Kase, to me personally known, who, being by me duly sworn, says that he is the Vice President of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association, that said instrument was signed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Marek J. Sheff
Notary Public

[Notarial Seal]

My Commission expires

My Comm. expires

ANNEX-A.EJR

ANNEX A

Location of Inventory

1. Inventory located in the storehouse at the CSS&SBRC's Michigan City, Indiana facility.
2. All track material is stored in both the Michigan City, Indiana and Burnham Yard facilities.

ANNEX B

Location of Goods and Equipment

1. Empty Equipment is located on-line at either the Michigan City, Indiana facility or at the Burnham Yard facility.
2. Loaded cars are off-line in Revenue Interstate Transportation movements throughout the continental United States and Canada.
3. On-line locomotives are located in the Michigan City, Indiana Shop.

SCHEDULE I: Owned rolling stock by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	001210-
CSS	001225-
CSS	001226-
CSS	001228-
CSS	001229-
CSS	001230-
CSS	001233
CSS	001234-
CSS	001235
CSS	001236-
CSS	001501-
CSS	001502-
CSS	001503
CSS	001504-
CSS	001302-
CSS	001303
CSS	001304
CSS	001375
CSS	001376-
CSS	001432-
CSS	000329-
CSS	001067
CSS	00319
CSS	10001
CSS	10002
CSS	10003-
CSS	10004-
CSS	10005-
CSS	10006-
CSS	10007-
CSS	10008-
CSS	303 (joint ownership)
CSS	37

(continued)

SCHEDULE I: Owned rolling stock by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	0503
CSS	1100
CSS	1128
CSS	1138
CSS	1150
CSS	1151
CSS	1401
CSS	1413
CSS	1414
CSS	1453
CSS	X1301

Locomotives

CSS	2000
CSS	2001
CSS	2002
CSS	2003
CSS	2004
CSS	2005
CSS	2006
CSS	2007
CSS	2008
CSS	2009

SCHEDULE II: Railcar Leases

1. Railcar Lease with C.I.T. Leasing Corporation dated February 11, 1986.
2. Railcar Lease with Itel Rail Corporation and Itel Railcar Corporation, dated December 27, 1988.
3. Railcar Lease by General Electric Railcar Services Corporation, dated October 1, 1985 (with Rider Number 2).
4. Railcar Lease by General Electric Railcar Services Corporation, dated October 1, 1985 (with Rider Number 4).

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	003821
CSS	003827
CSS	003834
CSS	003841
CSS	003845
CSS	003848
CSS	003854
CSS	003862
CSS	003867
CSS	041052
CSS	041053
CSS	041061
CSS	041066
CSS	041072
CSS	041075
CSS	041078
CSS	041079
CSS	041082
CSS	041083
CSS	041084
CSS	041086
CSS	041089
CSS	041093
CSS	041095
CSS	041096
CSS	041098
CSS	041105
CSS	041107
CSS	041110
CSS	041117
CSS	041125
CSS	041129
CSS	041130
CSS	041135
CSS	041137
CSS	041142
CSS	041143
CSS	041148
CSS	041150
CSS	041155
CSS	041156
CSS	041159
CSS	041163
CSS	041164
CSS	041165
CSS	041169
CSS	041180
CSS	041181
CSS	041182

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	041184
CSS	041186
CSS	041188
CSS	041189
CSS	041194
CSS	041195
CSS	041197
CSS	041198
CSS	041199
CSS	041200
CSS	050015
CSS	050043
CSS	050070
CSS	050072
CSS	050088
CSS	050090
CSS	050100
CSS	050101
CSS	050103
CSS	050120
CSS	050128
CSS	050147
CSS	050159
CSS	050178
CSS	050182
CSS	050200
CSS	050208
CSS	050210
CSS	050217
CSS	050225
CSS	050229
CSS	050247
CSS	050250
CSS	050254
CSS	050263
CSS	050271
CSS	050280
CSS	050286
CSS	050299
CSS	050304
CSS	050330
CSS	050335
CSS	050338
CSS	050353
CSS	050370
CSS	050381

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	050405
CSS	050410
CSS	050412
CSS	050470
CSS	050497
CSS	050513
CSS	050517
CSS	050528
CSS	050533
CSS	050543
CSS	050553
CSS	050557
CSS	050576
CSS	050613
CSS	050624
CSS	050626
CSS	050640
CSS	050650
CSS	050653
CSS	050666
CSS	050668
CSS	050677
CSS	050691
CSS	050693
CSS	050695
CSS	050696
CSS	050703
CSS	050716
CSS	050718
CSS	050721
CSS	050747
CSS	050749
CSS	050757
CSS	050767
CSS	050768
CSS	050774
CSS	050778
CSS	050782
CSS	050799
CSS	051142
CSS	051143
CSS	051176
CSS	051210
CSS	051224

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	051240
CSS	051328
CSS	051339
CSS	051378
CSS	051393
CSS	051453
CSS	051484
CSS	051518
CSS	051531
CSS	051593
CSS	051594
CSS	1650
CSS	1651
CSS	1653
CSS	1654
CSS	1655
CSS	1656
CSS	1657
CSS	1658
CSS	1659
CSS	1660
CSS	1661
CSS	1662
CSS	1663
CSS	1664
CSS	001615
CSS	1666
CSS	1667
CSS	1668
CSS	1669
CSS	1670
CSS	1671
CSS	1672
CSS	1673
CSS	1674
CSS	1675
CSS	001652
CSS	018000
CSS	018001
CSS	018002
CSS	018003
CSS	018004
CSS	018005
CSS	018006

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
CSS	018007
CSS	018008
CSS	018009
CSS	018010
CSS	018011
CSS	018012
CSS	018014
CSS	018015
CSS	018016
CSS	018017
CSS	018018
CSS	018019
CSS	018020
CSS	018021
CSS	018022
CSS	018023
CSS	018024
Boxcar	01
Boxcar	02
Boxcar	03
Boxcar	04
Boxcar	05
Boxcar	06
Boxcar	07
Boxcar	08
Boxcar	09
Boxcar	10
Boxcar	11
Boxcar	12
Boxcar	13
Boxcar	14
Boxcar	15
Boxcar	16
Boxcar	18
Boxcar	19
Boxcar	20
Boxcar	21
Boxcar	22
Boxcar	23
Boxcar	24
Boxcar	25
Boxcar	27
Boxcar	28
Boxcar	29
Boxcar	30
Boxcar	31

(continued)

SCHEDULE III: Cars leased by
Chicago SouthShore & South Bend Railroad Co.

<u>Railcar</u>	<u>Number</u>
Boxcar	32
Boxcar	33
Boxcar	34
Boxcar	35
Boxcar	36
Boxcar	37
Boxcar	38
Boxcar	39
Boxcar	40
Boxcar	41
Boxcar	42
Boxcar	43
Boxcar	44